

Message Text

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ACTION EA-10

INFO OCT-01 ISO-00 EAE-00 EB-07 OMB-01 PM-03 NSC-05 SP-02

SS-15 L-03 INR-07 CIAE-00 DODE-00 IGA-01 EUR-12 /067 W

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P 081025Z AUG 75

FM AMEMBASSY VIENTIANE

TO SECSTATE WASHDC PRIORITY 5012

C O N F I D E N T I A L SECTION 1 OF 2 VIENTIANE 5171

E.O. 11652: GDS

TAGS: EAID, EFIN, LA, US

SUBJ: FEOF MEETING AUGUST 6; LAO DECISION TO WITHDRAW IMF

GOLD TRANCHE

REF: A. VIENTIANE 5059

B. STATE 186150

SUMMARY: FEOF DONOR ADVISORY BOARD MET AUGUST 6 FOR FURTHER DISCUSSION OF TRANSFER OF ACCOUNT FROM IRVING TRUST AND OF IMF REVIEW. LAO APPEAR INCREASINGLY TO BE TAKING NEGATIVE ATTITUDE TOWARD LATTER AND IN JUDGMENT OF IMF RES REP ARE UNLIKELY TO INVITE IMF TEAM TO VISIT. SINCE MEETING, WE HAVE LEARNED THAT LAOS HAS DECIDED TO WITHDRAW ITS "GOLD TRANCHE" FROM IMF; MOTIVATION OF THIS ACTION NOT ALTOGETHER CLEAR. AFTER CONSULTATION WITH OTHER DONOR REPS WE PLAN TO ASSUME CHAIRMANSHIP IN SEPTEMBER ON NORMAL ROTATION BUT TO CONVENE MEETINGS ONLY UPON REQUEST OF OTHER DONORS OR IN EVENT OF OBVIOUS NEED. END SUMMARY.

1. BRITISH REP, CHAIRMAN FOR AUGUST, CONVENED RESTRICTED MEETING OF FEOF DONOR ADVISORY BOARD (DAB) AUG 6. ATTENDANCE SAME AS AT PREVIOUS MEETING JULY 18 (REF A) WITH ADDITION OF FRENCH REP AND A SECOND JAPANESE REP WHO EVIDENTLY WILL REPLACE COUNSELOR NISHIYAMA, WHO IS TO BE TRANSFERRED SHORTLY.

2. IRVING TRUST ACCOUNT: THERE WAS FURTHER
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DISCUSSION OF TRANSFER OF FEOF'S ACCOUNT FROM IRVING

TRUST (BRITISH REP'S AUG 4 MEMO ON THIS SUBJECT POUCHED TO AID/EA/L AND EA/LC). FRENCH REP RECOMMENDED ACCOUNT BE TRANSFERRED TO BANQUE DE L'INDOCHINE; FEOF ALREADY HANDLES SOME TRANSACTIONS THROUGH ITS SINGAPORE BRANCH, WHICH COULD EASILY HANDLE AUSTRALIAN DEPOSITS, AND BANK HAS BRANCHES ALSO IN PARIS, LONDON, TOKYO AND ZURICH. FEOF MANAGER'S LIFE WOULD BE GREATLY SIMPLIFIED, FRENCH REP THOUGHT. CONSENSUS WAS TO CHECK AGAIN WITH FEOF MANAGER AND, IF HE SAW NO PROBLEM, PROPOSE TO PGNU TRANSFER OF ACCOUNT TO BANQUE DE L'INDOCHINE. (BRITISH REP SENT PROPOSAL TO MINISTRY OF FINANCE AUGUST 7.)

3. IMF REVIEW: THIS WAS AGAIN MAJOR TOPIC OF MEETING. AUSTRALIAN FEOF REP, WHO IS CURRENTLY CHARGE, HAD BEEN TO SEE MINISTER OF FINANCE LEUAM RAJASOMBAT AUG 5 TO DISCUSS WITH HIM CONCEPT OF IMF REVIEW. HE FOUND MINISTER NEGATIVE ON WHOLE TOWARD IDEA OF REVIEW; PGNU WANTED IT ONLY IF IT WOULD BE "USEFUL" TO LAOS. FURTHERMORE, LEUAM NOW REGARDED HIS OWN ATTENDANCE AT IMF ANNUAL MEETING AS MERELY "EXPLORATORY," TO FIND OUT WHAT IMF COULD DO FOR LAOS. LEUAM WAS TOTALLY VAGUE ABOUT FX-CONSERVATION MEASURES PGNU MIGHT TAKE; HE ADMITTED THAT HE HAD SIGNED ARRETE LIMITING PRODUCTS FOR WHICH FX COULD BE OBTAINED THROUGH FEOF AT 1200 RATE (VIENTIANE 5122) WITHOUT READING IT (SIC). LEUAM DID MENTION THAT MINISTRY WAS SEIZED WITH WRITING OR CONTRIBUTING TO THREE PGNU POSITION PAPERS: ONE FOR HIS TRIP TO WASHINGTON, ANOTHER FOR UNGA, AND A THIRD FOR KING'S SEPT 15-17 OFFICIAL VISIT TO FRANCE. LAST OF THESE WOULD HAVE TO TAKE INTO ACCOUNT UNSPECIFIED "POLITICAL PROBLEMS." (FRENCH REP SPECULATED THAT LEUAM MIGHT HAVE HAD IN MIND LAO EFFORT TO OBTAIN RESCHEDULING OR POSTPONEMENT OF FOREIGN DEBT; OTHERWISE, HE KNEW OF NO SPECIFIC AID REQUESTS OR OTHER BUSINESS IN CONNECTION WITH KING'S VISIT.) FINALLY, LEUAM TOLD AUSTRALIAN THAT SECSTATE BOUTSABONG SOUVANNAVONG WAS "STILL OPPOSED TO DEVALUATION."

4. US REP NOTED THAT LEUAM HAD TOLD CHARGE CHAPMAN, WHEN LATTER PAID FAREWELL CALL ALSO ON AUG 5, THAT US BY CONFIDENTIAL

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DECLINING TO MAKE FURTHER CONTRIBUTION TO FEOF HAD "SIGNED DEATH WARRANT" FP<9K."4

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P 081025Z AUG 75

FM AMEMBASSY VIENTIANE

TO SECSTATE WASHDC PRIORITY 5013

C O N F I D E N T I A L SECTION 2 OF 2 VIENTIANE 5171

8. WITHDRAWAL OF IMF GOLD TRANCHE: IN RELATED DEVELOPMENT, IMF RES REP SMITH (PROTECT ABSOLUTELY) TOLD US REP AUGUST 8 THAT PGNU HAD ISSUED NECESSARY ORDERS EARLIER THAT DAY FOR WITHDRAWAL OF ITS \$4 MILLION GOLD TRANCHE WITH IMF. SMITH BELIEVES BOUTSABONG -- WHO HAD MENTIONED POSSIBILITY TO HIM SEVERAL WEEKS AGO -- IS BEHIND THIS MOVE. PURPOSE NOT ENTIRELY CLEAR; WOULD OF COURSE PAVE WAY FOR LAO WITHDRAWAL FROM IMF ITSELF, OR MAY BE DESIGNED TO DEMONSTRATE LAO WILLINGNESS TO UTILIZE ALL FOREIGN EXCHANGE FOR GOVERNMENTAL PURCHASES OF NECESSARY COMMODITIES. IN ANY CASE, SMITH HAS IMPRESSION THAT LAO, DESPITE THEIR PENURY, WILL TAKE "TOUGH LINE" IN MEETINGS WITH IMF STAFF IN WASHINGTON -- ESSENTIALLY, A "HELP US OR ELSE" POSITION THAT WILL EMPLOY BOTH POLITICAL AND HUMANITARIAN ARGUMENTS. FOR ALL THEIR INSISTENCE ON "UNCONDITIONAL" AID, SMITH OBSERVED, LAO APPEAR NOT TO REALIZE THAT IMF ASSISTANCE IS WORLD'S MOST HEAVILY CONDITIONED. SMITH HAD HEARD RUMOR THAT LAO DELEGATION WILL ALSO SEEK APPOINTMENT WITH WORLD BANK PRESIDENT ROBERT MCNAMARA TO REQUEST THAT AGENCY'S ASSISTANCE. (SMITH HIMSELF DEPARTS LAOS AUGUST 10 AND WILL REPORT FOR DUTY AT WASHINGTON HEADQUARTERS JUST BEFORE ANNUAL MEETING. WITH REGARD TO REF B, PARA 4, HE SAYS IMF HAD AT ONE POINT IDENTIFIED REPLACEMENT FOR HIM, BUT THAT MAN NOW ASSIGNED ELSEWHERE. THERE WOULD DEFINITELY BE A GAP, THEREFORE, IF SMITH IS TO BE REPLACED AT ALL.)

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9. US ROLE IN FEOF: REF B APPRECIATED. WE HAVE
MEANWHILE CONSULTED WITH OTHER DONOR REPS. OF THESE,
FRENCH REP STATED STRONGLY THAT MEMORANDUM OF
UNDERSTANDING SHOULD BE ADHERED TO AND US SHOULD TAKE
ITS REGULAR TURN AS DAB CHAIRMAN. JAPANESE REP IS ABOUT
TO BE TRANSFERRED AND APPEARED TO HAVE NO STRONG REACTION
ONE WAY OR ANOTHER; JAPANESE POSITION IS OF COURSE
CLOSEST TO OUR OWN. BRITISH REP EXPRESSED UNDERSTANDING
FOR OUR SITUATION BUT SAW NO REASON WHY WE COULD NOT
OR SHOULD NOT ASSUME CHAIRMANSHIP IN NORMAL ROTATION.
THUS AUSTRALIAN REP APPEARS ISOLATED IN BELIEF THAT WE
SHOULD DROP OUT OF ROTATION. ON THIS BASIS, WE INTEND
TO ASSUME CHAIRMANSHIP IN SEPT BUT CALL MEETING ONLY IN
EVENT OF OBVIOUS NEED (NOT NOW FORESEEABLE) OR AT
REQUEST OF OTHER DONORS). WE HAVE SO INFORMED OTHER
REPS AND HAVE ALSO TOLD THEM WE ASSUMED UK, AUSTRALIA
OR FRANCE WOULD HAVE TO TAKE LEAD IN ANY DEALINGS WITH
PGNU DURING SEPTEMBER.
CHAPMAN

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